

Message Text

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ORIGIN XMB-04

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TO AMEMBASSY LIMA

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E.O. 11652:N/A

TAGS: EFIN

SUBJECT: JANUARY 9 MEETING WITH AMBASSADOR DEAN AND EXIMBANK
OFFICIALS

AMBASSADOR DEAN DISCUSSED PIPELINE, TARAPOTO ROAD LOAN,
AIRCRAFT LOAN WITH EXIMBANK VICE CHAIRMAN WALTER SAUER AND
VICE PRESIDENT-LATIN AMERICA, EDWARD O'CONNOR, ON
JANUARY 9. PLEASE ADVISE APPROPRIATE OFFICIALS AT PETROPERU,
COFIDE, MINISTRY OF TRANSPORTATION, MINISTRY OF FINANCE AND
BANCO DE LA NACION OF PORTIONS OF MEETING CONCERNING THEM.
PLEASE STRESS THAT ACTION BY PERU NECESSARY IN EACH CASE
BEFORE EXIMBANK CAN PROCEED FURTHER AND THAT MEETING
ITSELF EVIDENCES SINCERERE WISH OF AMBASSADOR DEAN
AND EXIMBANK TO BE HELPFUL TO EXTENT POSSIBLE.

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REGARDING PIPELINE, EXIMBANK STILL AWAITS INFORMATION

REQUESTED JULY 1974, DEMONSTRATING FINANCIAL, ECONOMIC AND TECHNICAL FEASIBILITY OF PROJECT, NOTABLY INDEPENDENT STUDY OF OIL RESERVES AND FEASIBILITY STUDY FOR PIPELINE. OIL RESERVE STUDY MUST DEMONSTRATE QUANTITY OF PROVEN RESOURCES, PORTION THEREOF ACTUALLY EXPECTED TO BE RECOVERABLE AND DAILY RATE OF PRODUCTION EXPECTED. EXIMBANK HAS TALKED WITH SCIENTIFIC SOFTWARE NOVEMBER 12. THEY APPEAR COMPETENT AND UNDERSTAND EXIMBANK'S REQUIREMENTS. HOWEVER, AS OF NOVEMBER 12, THEY HAD NOT REPEAT NOT BEEN ASKED TO PREPARE COMPLETE STUDY OF TYPE REQUIRED BY EXIMBANK. EXIMBANK WILLING MEET WITH PETROPERU ALONE OR WITH CONSULTANTS TO EXPLAIN REQUIREMENTS, HAVING SO ADVISED PETROPERU DECEMBER 11. EXIMBANK BELIEVES COMPREHENSIVE FEASIBILITY STUDY OF PIPELINE HAS BEEN PREPARED BY BECHTEL, WHO UNABLE RELEASE SAME UNTIL SO AUTHORIZED BY PETROPERU. PETROPERU WILL ALSO NEED TO SUBMIT UP-TO-DATE FINANCIAL PLAN SHOWING SOURCES OF FUNDS FOR ENTIRE PROJECT PLUS EXPLANATION OF HOW EXIMBANK FUNDS WOULD BE USED--A LIST OF CONTRACTS AND GENERAL DESCRIPTION OF U.S. GOODS AND SERVICES. A MORE DETAILED ACQUISITION LIST COULD FOLLOW LATER ALONG WITH COPIES OF SALES AND LOAN AGREEMENTS WITH JAPAN. IN SUMMARY, PETROPERU HAS NOT PRESENTED SUFFICIENT DATA TO SUBSTANTIATE ITS PROPOSAL. FYI: EXIMBANK ASSUMES PETROPERU WILL SEEK FINANCING FOR MAIN PIPELINE ONLY. IF SO, WHAT IS OUTLOOK FOR FINANCING THE OCCIDENTAL SPUR? END FYI.

REGARDING TARAPOTO ROAD, EXIMBANK SENT EXECUTION COPY OF AMENDATORY AGREEMENT TO MINISTRY OF ECONOMY AND FINANCE OCTOBER 23 BUT HAS HEARD NOTHING FURTHER. AGREEMENT FOLLOWS TERMS OF EXIMBANK TELEX OF AUGUST 22 TO THE MINISTRY, ACCEPTED IN PRINCIPLE BY MINISTRY SEPTEMBER 6. SUBSEQUENT TO DEAN-SAUER MEETING, DEPARTMENT AND EXIMBANK RECEIVED LIMA 279 CONCERNING EXIMBANK CREDITS 5577, 5557 AND 5634 FOR USED 727 JET, LEAR JETS, AND AIRPORT EQUIPMENT. EXIMBANK HAS HEARD NOTHING FROM PERUVIAN BORROWERS EXCEPT TELEX OF NOVEMBER 21 FROM ARAOZ OF COFIDE REQUESTING CHANGES AND DELETIONS IN EXIMBANK STANDARD LOAN AGREEMENT. EXIMBANK RESPONDED NOVEMBER 27 AS EMBTEL STATES. COFIDE TELEX DID NOT INDICATE REASONS FOR MOST REQUESTS. EXIMBANK WOULD BE PLEASED TO DISCUSS THESE MATTERS FULLY WITH PERUVIANS, LIMITED OFFICIAL USE

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IN ORDER TO LEARN THE NATURE OF THEIR PROBLEMS, AND TO DEVELOP SOLUTIONS WHERE POSSIBLE. EXIMBANK WILL OF COURSE, REQUIRE THAT THE LOAN AGREEMENTS ADEQUATELY PROTECT EXIMBANK'S INTEREST AS IS EXIMBANK'S PRACTICE WORLD-WIDE. EXIMBANK WOULD WELCOME VISIT FOR WORKING MEETING BY REPRESENTATIVES OF COFIDE ALONE OR WITH REPRESENTATIVES OF OTHER BORROWERS. EXIMBANK WILL ADVISE COFIDE DIRECTLY BY TELEX TO ARAOZ AND WILL APPRECIATE EMBASSY FOLLOW-UP.

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